

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2020

Docket No. ACR2020

CHAIRMAN'S INFORMATION REQUEST NO. 15

(Issued February 11, 2021)

To clarify the Postal Service's FY 2020 Annual Performance Report (*FY 2020 Report*) and FY 2021 Annual Performance Plan (*FY 2021 Plan*),¹ the Postal Service is requested to provide written responses to the following requests. Answers should be provided to individual requests as soon as they are developed, but no later than February 18, 2021.

Financial Health

1. In the *FY 2020 Report*, the Postal Service states that it missed its Deliveries per Total Workhours, Percent Change (DPTWH % Change) target "due to overrunning the work hour plan." *FY 2020 Annual Report* at 52.
 - a. Please explain in detail why workhours were overrun relative to plan in FY 2020.
 - b. Please identify any plans to avoid workhour overruns in FY 2021 and future years.
2. The Postal Service states that "a package usually contributes much more to workload than a letter or flat[.]" *Id.*

¹ The *FY 2020 Report* and *FY 2021 Plan* are included in the Postal Service's FY 2020 *Annual Report to Congress*, which the Postal Service filed with the FY 2020 *Annual Compliance Report*. Library Reference USPS-FY20-17, December 29, 2020, file "FY2020.Annual.Report.USPS.FY20.17.pdf," at 31-57 (*FY 2020 Annual Report*).

- a. Please explain how packages contribute more to workload than letters and flats and describe the impacts of increased package volumes experienced in FY 2020 on the FY 2020 DPTWH % Change result.
 - b. For each impact identified in response to question 2.a., please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please explain why it is unavailable and provide qualitative analysis in support of the identified impact.
3. In the *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, the Commission recommended that “the Postal Service focus on balancing its work complement to minimize the use of penalty overtime workhours to the greatest extent possible” and that it “take steps to address the occurrence of unauthorized overtime workhours.”²
 - a. Please provide the planned overtime, unauthorized overtime, and penalty overtime workhours for FY 2020, along with the results. If the results exceeded what was planned, please describe in detail the reasons why.
 - b. Please describe any steps that the Postal Service took to minimize the use of penalty overtime workhours in FY 2020.
 - c. Please describe any steps that the Postal Service took to address the occurrence of unauthorized overtime workhours in FY 2020.
 - d. Please identify the operations that contributed the most to the total overtime workhours in FY 2020, quantify their respective contributions, and describe in detail the reasons for such contributions.
4. In the *FY 2020 Annual Report*, the Postal Service states that it “established a COVID-19 Supplies Command Center to ensure that Postal Service facilities had

² Docket No. ACR2019, Postal Regulatory Commission, *Analysis of the Postal Service's FY 2019 Annual Performance Report and FY 2020 Performance Plan*, June 1, 2020, at 91 (*FY 2019 Analysis*).

adequate supplies to keep employees safe and meet ongoing facility cleaning needs throughout the pandemic.” *FY 2020 Annual Report* at 20. Please provide the total expenses incurred by the COVID-19 Supplies Command Center in FY 2020 and to date in FY 2021.

5. The Postal Service states that “[r]evenue from Shipping and Packages for FY 2020 was \$28.5 billion, \$4.9 billion more than the planned amount, due to the surge in volumes resulting from the pandemic.” *Id.* at 48. Please explain in detail how this increase is attributed directly to COVID-19, as opposed to other causes. In the response, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable, please explain why and provide qualitative analysis in support of this claim.
6. The Postal Service explains that “Total Factor Productivity (TFP), Labor Productivity and other operational productivity measures will continue to be monitored *internally* to drive real-time performance” after FY 2020. *Id.* at 52 (emphasis added).
 - a. Please describe how the Postal Service intends to internally monitor TFP, Labor Productivity and the other operational productivity measures referenced, and explain how such internal monitoring will be used to drive real-time performance.
 - b. Please explain whether the Postal Service intends to continue reporting TFP and Labor Productivity in FY 2021 and beyond in the annual performance plan and annual performance report. If not, please explain.
7. The Postal Service states that “[in] FY 2020, labor productivity increased 0.2 percentage point[s], marking the tenth time in the last eleven years that USPS labor productivity has been positive.” *Id.* at 53.

- a. Please explain how labor productivity rose in FY 2020 despite the effects of the COVID-19 pandemic on its labor force, including the need to bring in non-career employees.
 - b. Please explain the impact of the increased package volumes experienced in FY 2020 on labor productivity during that same period.
8. The Postal Service states that, for purposes of TFP, “[w]ork completed depends on three primary components: the number of delivery points, mail volume weighted by product type and miscellaneous output (such as other services the organization provides, including passport services).” *Id.* Please explain the impact of the increased package volumes experienced in FY 2020 on TFP during that same period.

High-Quality Service

9. The Postal Service states that the “[i]n FY 2021, High-Quality Service will report Market Dominant Composite, which includes all First-Class Mail, [USPS] Marketing Mail, Periodicals, Flats, Bound Printed Matter Parcels, [USPS] Marketing Mail Parcels and Library/Media Mail. This metric replaces both the First-Class Mail Letter and Flat (FCLF) Composite and Marketing Mail and Periodicals Composite, which were reported in previous Annual Reports to Congress.” *Id.* at 33 n.3.
 - a. Please confirm that the Postal Service will report FY 2021 targets and results for the Single-Piece First-Class Mail (2-Day and 3-5-Day), Presorted First-Class Mail (Overnight, 2-Day, 3-5-Day), and Market Dominant Composite performance indicators in the FY 2021 Annual Performance Report (*FY 2021 Report*). If not confirmed, please describe the performance indicators the Postal Service will include in the *FY 2021 Report*.

- b. The *FY 2021 Report* must include comparable results for each performance indicator for, at a minimum, FYs 2018, 2019, 2020, and 2021. See 39 U.S.C. § 2804(c).
 - i. Please confirm that the *FY 2021 Report* will include comparable results for these fiscal years expressed using the Market Dominant Composite, FCLF Composite, or Market Mail and Periodicals Composite. If confirmed, please indicate which performance indicator(s) will express comparable results for these fiscal years.
 - ii. If not confirmed, please explain whether and how the Postal Service will explain why results are not directly comparable across FYs 2018, 2019, 2020, and 2021, and explain either: (1) how to compare results between the current and former methodologies; or (2) why making this comparison is not feasible. See *FY 2019 Analysis* at 16.
- 10. There have been numerous reports in the national media of increased issues with service, particularly for packages, during the holiday period in FY 2021.³
 - a. Please describe the cause(s) of such difficulties.
 - b. Please explain whether and how the Postal Service factored these issues into the non-public High-Quality Service target that the Postal Service set for Competitive products in FY 2021.⁴
 - c. Please describe whether and how any issues with package tracking, service performance, and delivery during the holiday season will affect

³ See, e.g., Emily Badger, Quoctrung Bui and Margot-Sanger-Katz, *The Postal Service Survived the Election. But It Was Crushed by Holiday Packages*, The New York Times (January 19, 2021), available at: <https://www.nytimes.com/interactive/2021/01/19/upshot/postal-service-survived-election-but-crushed-by-holidays.html>.

⁴ Library Reference USPS-FY20-NP30, December 29, 2020, folder “USPS-FY20-NP30” file “NONPUBLIC Preface USPS-FY20-NP30.pdf.”

achievement of the High-Quality Service target for Competitive products in FY 2021.

- d. Please describe the Postal Service's plans to address issues with package tracking, service performance, and delivery in FY 2021 and future years.
11. In the FY 2020 Annual Performance Plan (*FY 2020 Plan*),⁵ the Postal Service stated that it “will launch a new initiative in FY2020 called ‘Disruptive Events’ to identify mail affected by unforeseen events outside of management control.” *FY 2020 Annual Report* at 23. The Postal Service stated that “[t]he Disruptive Events program will enable us to more accurately quantify impacts from these events and diagnose service failures.” *Id.*
- a. Please describe the status of this initiative at the end of FY 2020.
 - b. Please explain how the Postal Service's progress related to this initiative impacted High-Quality Service results in FY 2020.
 - c. For each impact identified in response to question 11.b., please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please explain why it is unavailable and provide qualitative analysis in support of the identified impact.

⁵ The *FY 2020 Plan* is included in the Postal Service's FY 2019 *Annual Report to Congress*, which the Postal Service filed with the FY 2019 *Annual Compliance Report*. See *United States Postal Service FY 2019 Annual Report to Congress*, Library Reference USPS–FY19–17, December 27, 2019 (*FY 2019 Annual Report*).

- d. Please explain whether any events in FY 2020 or FY 2021 have informed, or caused the Postal Service to make changes to, the Disruptive Events initiative. In the response, please describe the events and the changes made to the Disruptive Events initiative in response to these events.

By the Chairman.

Michael Kubayanda